

EXMOOR NATIONAL PARK AUTHORITY

RESOURCES COMMITTEE - 16 NOVEMBER 2004

RISK MANAGEMENT STRATEGY

Report of the Head of Business Management

Purpose of Report:

To agree the Authority's approach to dealing with the management of risk across all of its activities.

Legal implications, including Human Rights Act 1998:

None

RECOMMENDATION:

To ADOPT a Risk Management Strategy, and NOTE the roles and responsibilities set out together with the implementation framework.

1. WHAT IS RISK MANAGEMENT?

- 1.1 In simple terms a risk is the possibility of something happening that will have an impact on a course of action. The process of Risk Management is intended to make sure that those managing an organisation and its work activities are fully aware of the inherent risks and adopt the necessary, balanced precautions. It is not about stifling all innovation by cultivating a risk averse culture – opportunities for innovation and change are essential for an organisation to thrive - but it is about managing adverse risks.
- 1.2 The Institute of Risk Managers has produced this definition of Risk Management:- “the identification, measurement, control and financing of those risks which threaten the existence, the assets, the income or the personnel of an organisation or the services it provides”.
- 1.3 Specifically, Risk Management aims to cover all areas of an organisation's activities including decision making and the performance management and in so doing:-
 - Protect service delivery and its quality and the way it impacts on the general public, employees, local communities, partners and contractors.
 - Protect the image and reputation of the Authority
 - Secure the assets of the Authority
 - Secure the funding and income sources of the organisation
 - Secure the well-being of employees and users of services
 - Ensure the integrity and resilience of information systems
 - Ensure probity and sound ethical conduct
 - Avoid criminal prosecution or civil litigation
- 1.4 It is instructive to realise that 80% of risks faced by organisations are not insurable.

2. THE AUTHORITY'S CURRENT POSITION

2.1 The possibility of a risk happening, materialising into an adverse event is always a possibility and Exmoor National Park Authority already has a wide range of measures in place to protect itself and prevent the realisation of risks. These include:

- 1 Promotion of a health and safety culture. The Health and Safety policy is regularly reviewed, there are Health and Safety focus groups covering all areas of work, and any accidents or "near misses" are investigated so as to prevent any recurrence. Staff have been trained to carry out Risk Assessments, and a wide range of these have been completed. Regular fire drills are held. A stress reduction policy has been agreed and a Road Safety policy is under preparation.
- 2 Finance. All activities are scrutinised by Internal and External Auditors and annual reports presented to the Resources Committee. Each year a Treasury Management Policy is adopted to guide the approach to investing surplus funds in a safe but productive way.
- 3 The Authority has very experienced staff filling the posts of Chief Finance Officer and Monitoring Officer to ensure the legality and reasonableness of its activities and a post of External Communications Manager to oversee press matters. It also has a Standards Committee and all members have received awareness training on this issue, as well as training relating to the approach to be adopted by the Planning Committee.
- 4 Insurance. The Authority regularly reviews its insurance cover to ensure that it is adequate and covers as much of its "transferable" risk as is practicable. It is also active in monitoring these risks to minimise the likelihood of any claims to avoid any increase in insurance premiums e.g. regular safety checks of its car parks and toilets. It has identified the need for a public safety plan for all of its land and premises.
- 5 Performance Management. Quarterly reports are compiled so that senior management is aware of progress and has early warning of any emerging problem areas.
- 6 Project Management. The Authority is delivering project management skills training to managers to help in the completion of a range of projects with which the Authority is involved.
- 7 Minimum Standards of Conduct for Members have been set nationally and will be for Officers.
- 8 Business Continuity Plan. The need for this has been identified to provide a framework for action in the event of the total loss of Exmoor House or the loss of power supplies for an extended period.

2.2 These existing separate measures will be useful starting point for building awareness of Risk Management issues across the Authority as set out later in this report.

3. THE NATIONAL PICTURE

3.1 In recent years there has been a series of unfortunate and disastrous events that remain in people's memories– the Kings Cross tube station fire, the Herald of Free Enterprise ferry sinking (health and safety failures), the collapse of Barings' Bank (a financial control failure). In the public sector there has been the Victoria Climbié case (a service delivery failure) and railway accidents at Paddington and Hatfield (reputation and health and safety failures).

- 3.2 At the same time a series of reports have been published on issues surrounding corporate governance in the private sector (Cadbury, Turnbull etc) with a requirement developed for Directors to set policies on internal controls and to obtain regular assurance on the effectiveness of systems of control in their organisation to protect the viability of those organisations.
- 3.3 These accidents and the corporate governance reports have combined to give Risk Management a high profile in the strategic management of private sector enterprises and the public sector is being encouraged by Government to be pro-active and adopt good risk management practices. The Government's agenda for modernising public services requires public services (which includes National Park Authorities) to promote best practice, and Risk Management is seen as an integral part of good practice. Also, Risk Management is an integral part of change management process which perhaps is typified by the agenda for Implementing Electronic Government. Risk Management is seen as the way that the opportunities and services provided can be maximised while reducing unwanted and unnecessary losses.
- 3.4 Risk Management fits into the corporate governance framework comprising 5 interlocking dimensions:-
- Public focus
 - Structures & processes
 - Risk Management and internal control
 - Service Delivery arrangements
 - Standards of Conduct
- 3.5 A summary of internal financial controls in place is included in the annual statement of accounts which includes a signed declaration by the Chief Finance Officer and certification by the Chairman of the National Park Authority and the National Park Officer.
- 3.6 Although the methodology for Comprehensive Performance Assessment of National Park Authorities has yet to be fully determined, assessments currently in use by the Audit Commission when inspecting other local authorities look for clear evidence that:
- The main risks have been evaluated
 - Management has been involved at all levels
 - Authority Members are involved and engaged
 - Action is being taken as appropriate to reduce the risks identified.

4. **STRATEGIC AND OPERATIONAL RISK EXPOSURE**

- 4.1 The sort of risks faced by an organisation such as Exmoor National Park Authority can be regarded broadly as strategic or operational. They comprise (with examples):-

4.2 **Strategic Risks**

Political	Failure to deliver central government policy.
Economic	Inability to meet financial commitments.
Social	Ability to deal with the effects of demographic changes or socio-economic trends
Technological	Inability to use technology to meet changing demands
Legislative	Judicial Review or breaches of the Human Rights Act.
Environmental	An outbreak of Foot and Mouth disease.
Competitive	Failure of bid for Government funds e.g. Objective 2.
General public	Failure to meet current or changing needs and expectations.

Reputational The public perception of the Authority's efficiency & effectiveness and anything that undermines public confidence in it.

4.3 **Operational**

Professional Over-reliance on key officers.
Legal Failure to meet statutory deadlines.
Financial Adequacy of insurance cover.
Physical Non-compliance with health and safety issues.
Contractual Failure of contractors to deliver services as agreed.
Technological Failure of network security or obsolescence of technology.
Environmental Energy efficiency of ongoing service delivery or pollution
Information Management data not up-to-date and failure to manage communication across the Authority

5. **RISK MANAGEMENT POLICY**

5.1 In order to properly and comprehensively address the variety of risks that could affect this Authority, it is essential to adopt a policy to set out the approach and which will embrace the measures already in place, which are mentioned in paragraph 2 above.

5.2 A Risk Management Policy Statement can fulfil two purposes: it demonstrates the commitment of senior managers and also provides a framework with clear direction for the management of risk.

5.2 **Draft Risk Management Policy**

5.2.1 Exmoor National Park Authority recognises that it has a responsibility to identify and manage the internal and external risks to the achievement of its strategic objectives and in its day to day activities. It will adopt best practices to evaluate and control those risks. The Authority supports a structured and focussed approach to risk management to help it attain its corporate objectives and enhance the value of the services it provides.

5.2.2 The Risk Management objectives of the Authority are to:-

- Integrate Risk Management into the culture of the Authority and its performance management systems.
- Manage Risk in accordance with best practice.
- Anticipate and respond to changing social, environmental and legislative requirements.
- Prevent injury and damage and reduce the cost of risk.
- Raise awareness of the need for risk management by all those involved in the delivery of the Authority's services.

5.2.3 The objectives will be achieved by:-

- Establishing clear roles, responsibilities and reporting procedures within the authority for risk management.
- Co-ordinating risk management activity throughout the Authority.
- Providing a framework for allocating resources to identified priority risk areas but having regard to the Authority's other priorities.
- Emphasising the importance of effective risk management as an integral part of daily work activity
- Introducing robust monitoring arrangements
- Regularly monitoring risks and reporting to the Resources Committee on an annual basis on the effectiveness of controls and arrangements for Risk Management.

5.3 Roles and Responsibilities

5.3.1 The roles and responsibilities set out below are intended to ensure that risk is managed effectively across the Authority and at the appropriate level:-

Resources Committee	Oversee Risk Management arrangements within the Authority and consider an annual report from the Chief Finance Officer. Approve the allocation of appropriate resources for controlling identified risks.
National Park Officer	Ensure the Authority manages risk effectively. Integrate Risk Management into Performance Management processes.
Management Team	Adopt and demonstrate ownership of the Risk Management strategy and ensure it is embedded into the activities of the Authority. Ensure it is a top down process focussing on performance improvement rather than mere compliance. Review the strategic, corporate or cross cutting risks associated with new policies or service delivery methods. Liaise with Line Managers to monitor risk management of day to day operations. Regularly review of Risk Management procedures to seek continuous improvement. Ensure that Risk Management is included within business plans and all service reviews.
Project & Line Managers	Manage risk effectively in their areas of responsibility by systematically identifying and assessing risk. Ensure line managers are aware of any significant changes to the level of risk.
All staff	Undertake all work within risk management guidelines. Promptly report any new risks or threats to their line manager.
Chief Finance Officer	In conjunction with Management Team, prepare and keep up to date a Risk Register. Advise Management Team on the priorities for action based on the assessment of risk. Carry out an annual review of Risk Management practices for consideration by the Resources Committee. Ensure the policy and Risk Register is reviewed annually. Oversees preparation of a Business Recovery Plan, and that it is tested appropriately. Ensure Best Practice Risk Management procedures are adopted.

Internal Audit Provide assurance to the National Park Officer that significant business risks are being managed effectively.

6. **IMPLEMENTATION OF RISK MANAGEMENT FRAMEWORK**

- 6.1 Following consideration by the Resources Committee, consultations will be held with Internal and External auditors on implementation arrangements.
- 6.2 Staff will be informed of the adoption of a Risk Management policy through team briefings, where members of the Management Team can demonstrate their support and outline the advantages to the Authority and how each member of staff has a role to play in promoting better risk management.
- 6.3 A Risk Register will be prepared, which will be closely aligned with the budget, and which will include:-
- A description of the Authority's objectives.
 - The risk.
 - A risk profile i.e. an assessment of the likelihood of the risk materialising and an assessment of its impact on the organisation.
 - The controls for managing the risk and identification of those responsible for managing the risk and its control measures. In priority order this will be to avoid, eliminate or reduce, transfer, insure or accept in the light of overall resource priorities.
- 6.4 The Resources Committee will receive a report detailing progress on implementing this strategy, together with a summary of the most significant risks from the risk register.
- 6.5 A Business Continuity Plan will be produced in the next few months detailing contingency arrangements for the partial or complete loss of Exmoor House or any other significant element of its activities (Pinkery, Exford Depot, National Park Officer etc)
- 6.6 The next Business Plan will contain a summary of Risk Management practices that are in place.
- 6.7 A statement regarding Risk Management arrangements will be included in the Statement of Final Accounts for 2004/05.

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4 November 2004